

NEWS RELEASE

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HEALTH CARE PRODUCTS SALES REPRESENTATIVE PLEADS GUILTY
TO FELONY CHARGE OF VIOLATING
THE MEDICARE ANTI-KICKBACK STATUTE

Ronald J. Tenpas, United States Attorney for the Southern District of Illinois, announced today that on January 7, 2005, **BRIAN DENNY ("DENNY")** pled guilty in the United States District Court for the Southern District of Illinois to the felony charge of violating the Medicare Anti-Kickback statute, Title 42, United States Code, Section 1320a-7b(b)(2)(B). A violation of the Medicare Anti-Kickback Statute is punishable by a sentence of up to five years in prison, a \$25,000 fine, or both. Sentencing is scheduled for April 8, 2005.

Pursuant to the plea agreement and stipulation of facts, **DENNY** admitted that he knowingly and willfully offered, covertly and overtly, remuneration to a business called Southern Medical Distributors ("SMD"). The remuneration was ninety five enteral nutrition pumps, which were valuable, and were offered and marketed to SMD at no charge. One purpose of the remuneration offered and caused to be offered by **DENNY** was to induce the purchase and order of related goods and items by SMD for which payment was to be made in whole and in part by the Medicare program, specifically through payments for enteral pumps and related supplies under Part B of the Medicare program. Enteral nutrition pumps provide nutrition to those who cannot eat without assistance, often in a nursing home setting.

DENNY agreed to be excluded from participation with the Medicare program for a period of 10 years in the plea agreement. The plea agreement requires **DENNY** to cooperate with the United States in connection with the Government's ongoing investigations and prosecutions of others for alleged violations of federal law.

Today's development marks the tenth criminal conviction arising from "Operation Headwaters," an undercover investigation by the Federal Bureau of Investigation, U.S. Postal Inspection Service, and Office of Inspector General for the Department of Health and Human Services, in which federal agents created an entity known as Southern Medical Distributors ("SMD"). While operating, SMD acted as a distributor of medical supplies, and was approached by various manufacturers and distributors.

The case was investigated by the Federal Bureau of Investigation, the U.S. Postal Inspection Service, and the HHS Office of Inspector General. The criminal case was prosecuted by Assistant United States Attorney Andrew J. Lay.